

**K00A**  
**Department of Natural Resources**

***Operating Budget Data***

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(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Operations	\$127,924	\$129,633	\$127,204	-\$720	\$129,622	\$2,418
Contractual Services	35,904	32,560	32,609	-3,295	30,836	-1,774
Grants	6,128	6,341	5,266	-862	4,996	-270
Contingent & Back of Bill Reductions	0	0	0	0	-737	-737
<b>Adjusted Grand Total</b>	<b>\$169,956</b>	<b>\$168,535</b>	<b>\$165,080</b>	<b>-\$4,876</b>	<b>\$164,717</b>	<b>-\$363</b>
General Funds	75,183	77,220	70,827	-4,356	68,616	-2,211
Contingent & Back of Bill Reductions	0	0	0	0	-519	-519
<b>Adjusted General Funds</b>	<b>\$75,183</b>	<b>\$77,220</b>	<b>\$70,827</b>	<b>-\$4,356</b>	<b>\$68,097</b>	<b>-\$2,730</b>
Special Funds	61,908	60,947	62,849	941	67,882	5,033
Contingent & Back of Bill Reductions	0	0	0	0	-175	-175
<b>Adjusted Special Funds</b>	<b>\$61,908</b>	<b>\$60,947</b>	<b>\$62,849</b>	<b>\$941</b>	<b>\$67,708</b>	<b>\$4,858</b>
Federal Funds	23,540	23,168	25,099	1,559	23,369	-1,731
Contingent & Back of Bill Reductions	0	0	0	0	-44	-44
<b>Adjusted Federal Funds</b>	<b>\$23,540</b>	<b>\$23,168</b>	<b>\$25,099</b>	<b>\$1,559</b>	<b>\$23,325</b>	<b>-\$1,774</b>
Reimbursable Funds	9,325	7,201	6,304	-3,021	5,587	-717
<b>Adjusted Grand Total</b>	<b>\$169,956</b>	<b>\$168,535</b>	<b>\$165,080</b>	<b>-\$4,876</b>	<b>\$164,717</b>	<b>-\$363</b>
<b>Annual % Change</b>		<b>-0.8%</b>	<b>-2.1%</b>		<b>-0.2%</b>	

- The Department of Natural Resources (DNR) has contributed to cost containment efforts for the past two years – \$3,196,796 in fiscal 2003 and \$3,968,005 in fiscal 2004. The programmatic units that have felt the brunt of these actions are the State Forest and Park Service (SFPS), Fisheries Service, and Natural Resources Police.

Note: Numbers may not sum to total due to rounding.

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- DNR’s fiscal 2005 allowance represents a \$362,555, or 0.2% decrease from the fiscal 2004 working appropriation. DNR’s general funds decrease by 3.9%, special funds increase by 7.7%, federal funds decrease by 7.1%, and reimbursable funds decrease by 11.4%. The significant general fund reductions include \$413,046 in the Maryland Geological Survey, \$472,495 for eight filled positions, and \$300,000 in Natural Resources Police field operations contingent upon enactment of legislation. The \$4.8 million increase in special funds is due to drawing down \$1.8 million from the State Boat Act fund balance and \$1.3 million in new wildlife fee revenue. The 7.1% federal fund reduction is largely due to \$1.9 million less in U.S. Environmental Protection Agency funds for Chesapeake Bay projects.

## *Personnel Data*

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	<b>FY 02</b>	<b>FY 03</b>	<b>FY 04</b>	<b>FY 02-04 Change</b>	<b>FY 05</b>	<b>FY 04-05 Change</b>
Regular Positions	1,618.2	1,490.0	1,454.0	-164.2	1,446.0	-8.0
Contractual FTEs	332.0	377.5	480.0	148.0	438.5	-41.5
<b>Total Personnel</b>	<b>1,950.2</b>	<b>1,867.5</b>	<b>1,934.0</b>	<b>-16.2</b>	<b>1,884.5</b>	<b>-49.5</b>

### *Vacancy Data: Regular Positions*

Turnover Expectancy	112.35	7.77%
Positions Vacant as of 12/31/03	92.95	6.39%

- DNR’s contractual employees increased by 148 full-time equivalent positions (FTEs), or 44.6% between the fiscal 2002 actual budget and the fiscal 2004 working appropriation. During the same period, regular positions decreased by 164 positions, or 10.1%. These trends illustrate DNR’s efforts to use contractual employees to fill seasonal positions. Therefore, the decrease in contractual positions in the fiscal 2005 allowance may place a significant burden on SFPS, which relies on seasonal employees.
- The fiscal 2005 allowance abolishes the following eight positions: two in the Office of the Secretary, three in the Forestry Service, one in the Wildlife and Heritage Service, and two in SFPS.
- DNR’s projected fiscal 2005 turnover rate of 7.8% is 1.4% higher than the current rate. To achieve this turnover rate in fiscal 2005, it will be necessary for DNR to maintain 112.4 vacancies – approximately 20 more vacancies than currently exist.

## ***Analysis in Brief***

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### **Issues**

***Commission on the Structure and Efficiency of State Government Recommendations:*** The December 2003 Report of the Commission on the Structure and Efficiency of State Government (Mandel Commission) made several recommendations about State environmental programs that could impact DNR. **The Department of Legislative Services (DLS) recommends that DNR brief the committee on its response to these recommendations and state whether or not DNR intends to implement each recommendation.**

***The Environmental Trust Fund's (ETF) Impact:*** The ETF was created in 1972 to fund electric power plant site evaluation and acquisition and research on environmental and land use considerations associated with power plants. The ETF surcharge is set to expire in 2005. **DNR should be prepared to discuss new outcome-based methods it could use to measure the Power Plant Research Program's (PPRP) impact, the potential benefits associated with diversifying the allowable uses of ETF revenue, coordination with the Public Service Commission and the Maryland Energy Administration, and whether the administration intends to conduct a comprehensive study of PPRP as recommended in the December 2003 Report of the Commission on the Structure and Efficiency of State Government.**

***Shucking DNR's Oyster Program Portfolio and Focus:*** In spite of the State's restoration efforts, Maryland's native oyster population is at a record low. The oyster diseases MSX and Dermo are primarily responsible for the decline in Chesapeake Bay oyster stocks. DNR is currently conducting an environmental impact study on the introduction of the Asian Oyster, in hopes of reviving the Chesapeake Bay's oyster population. **DLS recommends that DNR brief the committees on how it is ensuring that Asian Oyster research efforts do not duplicate those being undertaken by the State of Virginia, the amount of funding Virginia has committed to completing the environmental impact study, and the fiscal and programmatic impact DNR's non-native oyster research efforts are having on DNR's native oyster restoration programs.**

***DNR Special Funds Work Group Recommendations:*** The DNR Special Funds Work Group was charged with studying the statutory requirements for each special fund and determining the appropriate level of administrative expenses to be deducted from each special fund, whether any streamlining measures could be taken to reduce DNR's special fund tracking burden, and whether DNR is using its special funds appropriately. In January 2004 the work group released a series of findings and recommendations for improving DNR's special funds management. **DLS recommends that DNR discuss its position on the work group's recommendations. Also, budget bill language is recommended requiring DNR and the Department of Budget and Management (DBM) to submit a report describing DNR's multi-year plan for reducing the percentage of Waterway Improvement Fund (WWIF) revenues allocated to administrative purposes. An amendment to**

**the budget reconciliation bill is recommended requiring DNR to reduce the percentage of WWIF revenues allocated to administrative purposes.**

***Proposed DNR Law Enforcement Reorganization:*** DNR and DBM submitted a report in response to fiscal 2004 budget bill language finding that significant efficiencies may be achieved by combining the SFPS rangers with the Natural Resources Police and making civilians responsible for park operations. The report recommends consolidating DNR’s law enforcement forces and pursuing changes to the personnel system that will remove law enforcement responsibilities from SFPS. **DLS recommends that DNR brief the committees on the proposed reorganization process, whether implementing legislation is forthcoming, and whether the Commission on the Structure and Efficiency of State Government’s law enforcement recommendations will be implemented. Also, budget bill language is recommended requiring DNR and DBM to submit a report to the committees by October 1, 2004, providing detailed information about the proposed implementation process and timeline as well as the estimated cost savings.**

***Establishing a Chesapeake Bay Recovery Fund:*** The administration has introduced legislation that would create a Chesapeake Bay Recovery Fund. The fund would be used to promote restoration of the Chesapeake Bay and would seek to augment existing funding sources by encouraging private investment. **DLS recommends that DNR discuss whether this private fundraising initiative is an appropriate role for State government, duplicates the role currently being played by nonprofits, and will result in further fragmentation of Chesapeake Bay policy and program coordination.**

## **Recommended Actions**

### **Funds**

1. Add budget bill language requiring a report on the Department of Natural Resource's proposed law enforcement reorganization.
2. Add budget bill language requiring a report on reducing Waterway Improvement Fund administrative costs.
3. Add budget bill language concerning vehicle replacement.
4. Add budget bill language to reduce general funds and positions due to the sale of the Maryland Independence yacht.
5. Reduce funding for the Wildlife and Heritage Services. \$ 470,573

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6.	Amend budget bill language to reduce Natural Resources Police general funds by an additional \$1.0 million.	
7.	Reduce funds for Natural Resources Police field operations.	167,421
8.	Add budget bill language to reduce Fisheries Service general funds by \$650,000 contingent upon enactment of legislation.	
	<b>Total Reductions</b>	<b>\$ 637,994</b>

## **Updates**

***Recommendations for Improving Tax Credits for Conservation Easement Donors:*** The Maryland Environmental Trust’s recommendations for improving and funding the State income tax credit for conservation easement donors are summarized.

***U.S. National Park Service (NPS) Chesapeake Bay Study:*** This update reviews the status of a NPS study on potential options for changing the federal government’s role in preserving the Chesapeake Bay.

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***Operating Budget Analysis***

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**Program Description**

The Department of Natural Resources (DNR) manages the protection, enhancement, and balanced use of the State's natural resources. To accomplish this mission, DNR is structured into the following programmatic units:

- **Office of the Secretary:** Provides leadership, public outreach, customer service, legislative, and legal services.
- **Forest Service:** Supports Maryland's forest and tree resources by providing private forestland management expertise, wildfire protection, and urban and community forestry assistance.
- **Wildlife and Heritage Service:** Provides technical assistance and expertise to the public and private sectors for the conservation of Maryland's wildlife resources, including the management of threatened and endangered species, game birds and mammals, and the operation of 105,000 acres of State-owned lands classified as Wildlife Management Areas.
- **Forest and Park Service:** Manages natural, cultural, historic, and recreational resources in 47 forests and parks across the State, and provides related educational and law enforcement services.
- **Capital Grants and Loan Administration:** Administers diverse financial assistance programs that support public land and easement acquisitions, local grants, and waterway improvements.
- **Licensing and Registration Service:** Operates six regional service centers that assist the public with vessel titling and registration, off-road vehicle registration, commercial fishing licenses, and hunting and sport fishing licenses.
- **Natural Resources Police:** Preserves and protects Maryland's natural resources and its citizens through enforcement of conservation, boating, and criminal law.
- **Resource Planning:** Provides technical assistance to land managers in property acquisition, development, and management.
- **Engineering and Construction:** Provides engineering, project management, and in-house construction services.
- **Chesapeake Bay Critical Areas Commission:** Promulgates criteria to minimize storm water runoff impact, conserve living resources and habitats, and establish land use policies that accommodate growth while addressing the environmental impact of development along sensitive shorelines.

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- **Resource Assessment Service:** Evaluates and directs implementation of environmental restoration and protection policy for tidal and non-tidal ecosystems.
- **Maryland Environmental Trust:** Negotiates and accepts conservation easements over properties with environmental, scenic, historic, or cultural significance; provides grants, loans, and technical assistance to local land trusts.
- **Watershed Services:** Develops and supports watershed, greenway, and waterway management strategies for the restoration, protection, and economic vitality of Chesapeake and coastal ecosystems.
- **Fisheries Service:** Manages commercial and recreational harvests to maintain sustainable fisheries, enhance and restore fish species in decline, and promote fishery ethics and public involvement.

DNR's six primary goals are to achieve:

- sustainable populations of living resources and aquatic habitat in the main stem of the Chesapeake Bay, tidal tributaries, and coastal bays;
- healthy Maryland watershed lands, streams, and non-tidal rivers;
- natural resources stewardship opportunities for Maryland's urban and rural citizens;
- a conserved and managed statewide network of ecologically valuable private and public lands;
- diverse outdoor recreation opportunities for Maryland citizens and visitors; and
- diverse workforce and efficient operations.

### **Performance Analysis: Managing for Results**

DNR's fiscal 2005 Managing for Results (MFR) submission includes a number of departmental level goals, objectives, and performance measures. **Exhibit 1** presents data on a handful of performance measurements that summarize key program areas. This chart indicates the following trends:

- no change in nitrogen loading into the Chesapeake Bay;
- significant anticipated reductions in land acquisition but increases in conservation easements between fiscal 2003 and 2005;

**Exhibit 1**  
**Program Measurement Data**  
**Department of Natural Resources**  
**Fiscal 2001 – 2005**

	<u>Actual</u> <u>2001</u>	<u>Actual</u> <u>2002</u>	<u>Actual</u> <u>2003</u>	<u>Est.</u> <u>2004</u>	<u>Est.</u> <u>2005</u>	<u>Ann.</u> <u>Chg.</u> <u>01-03</u>	<u>Ann.</u> <u>Chg.</u> <u>03-05</u>
Nitrogen entering the Chesapeake Bay from Maryland (million lbs/year)	56.5	56	56	56	55	-0.4%	-0.9%
Acres of land protected via:							
Acquisition	n/a	25,283	35,382	6,873	10,720	n/a	-45.0%
Conservation easement (cumulative)	n/a	110,000	133,547	147,970	164,590	n/a	11.0%
Wetland acres restored	42	142	160	100	100	95.2%	-20.9%
Miles of riparian forest buffers re-established (cumulative)	n/a	878	1,048	1,250	1,450	n/a	17.6%
Percent of State land area covered by watershed management plans	n/a	14%	27%	32%	36%	n/a	15.5%
Cumulative number of Chesapeake 2000 commitments met	n/a	n/a	21	36	43	n/a	43.1%

Source: Governor’s budget books, fiscal 2004 and 2005

- a 95% average annual increase in wetland acres restored between fiscal 2001 and 2003, but an estimated 21% average annual decrease between fiscal 2003 and 2005; and
- anticipated progress toward meeting Maryland’s *Chesapeake 2000* commitments.

**DNR should be prepared to discuss the fluctuations in wetland acreage preservation as well as its rationale for estimating that the State will double the number of *Chesapeake 2000* commitments it meets between fiscal 2003 and 2005.**

In December 2003 the administration announced that a new set of administrative policies had been developed to guide future land preservation and conservation efforts. Specifically, the Governor announced that DNR, the Maryland Department of Agriculture (MDA), and the Maryland Department of Planning (MDP) were to:

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- focus State land conservation programs on the most strategic lands to protect the Chesapeake Bay and its tributaries; and
- apply the best scientific information and technology to identify lands that are most important, the potential threats to these lands, and areas in which preservation goals receive the best return from the dollars spent.

Currently, DNR tracks a variety of land preservation-related goals including acres of land preserved via acquisition and conservation easement (see Exhibit 1). **DNR should discuss how it intends to use its MFR to measure progress toward these land preservation goals in the future.**

Several State agencies have programs that make significant contributions to preserving the State's environment. As suggested last year, it would be quite valuable for DNR to collaborate with MDA and the Maryland Department of the Environment (MDE) and generate summary performance data that describes the specific and general impact these departments have had on the State's environment. **The Department of Legislative Services (DLS) recommends that DNR, MDA, MDE, and the Department of Budget and Management (DBM) develop summary performance data that can be used to evaluate current and proposed progress in overlapping program areas.**

### **Fiscal 2004 Actions**

#### **Impact of Cost Containment**

As illustrated in **Exhibit 2**, DNR was required to reduce general fund operational expenditures by \$3,968,005 for fiscal 2004 cost containment, a 5.3% reduction in the legislative appropriation. As part of this effort, DNR redirected \$500,000 from other programs to the Fisheries Service to conduct an environmental impact study on the introduction of Asian Oysters to the Chesapeake Bay. To achieve this target, DNR implemented the reductions listed in Exhibit 2.

Furthermore, to comply with statewide position cap requirements, 37 regular positions and 24 contractual full-time equivalents were eliminated in July and November 2003.

#### **Governor's Proposed Budget**

As shown in **Exhibit 3**, the Governor's fiscal 2005 allowance of \$164.7 million is 0.2% below DNR's fiscal 2004 working appropriation. This change reflects a \$2.7 million decrease in general funds, \$4.9 million increase in special funds, \$1.8 million decrease in federal funds, and a \$716,769 decrease in reimbursable funds. **Exhibit 4** illustrates that fiscal 2004 and 2005 general funds decreases are being offset by additional special fund revenue.

**Exhibit 2**  
**DNR Fiscal 2004 Cost Containment**

<b><u>Program Item</u></b>	<b><u>General Fund Reduction</u></b>
Replacement vehicles, use available special funds	-\$600,000
Merge capital-related programs to achieve efficiencies	-420,000
Consolidate the environmental review function with other programs and eliminate two positions	-138,000
Critical Areas Commission operations and aid to local governments	-167,000
Nature Tourism Program	-100,000
Outward Bound Program	-100,000
Merge Watershed Service and Education, Bay Policy, and Growth Management; and reduce funds for three positions	-287,052
GreenPrint funding	-150,000
Eliminate watershed restoration activities and shift focus to tributary strategy programs and other Chesapeake Bay commitments	-324,500
Wildlife and Heritage Service – Abolish 2 positions, reduce operating expenses, and switch 6 positions to federal funds	-687,611
Fisheries Service – Eliminate 9 positions, reduce recognition, data, education, and outreach programs; and use available special funds	-591,715
Forestry Service – Shift \$350,000 in expenses to special funds, reduce operating costs, reduce project costs, and eliminate 2 positions	-604,000
State Forest and Park Service – Eliminate 10 ranger positions	-298,127
<b>Subtotal Reductions</b>	<b>-\$4,468,005</b>
Asian Oyster environmental impact statement	500,000
<b>Adjusted Total</b>	<b>-\$3,968,005</b>

Source: Department of Natural Resources

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**Exhibit 3**  
**Governor's Proposed Budget**  
**Department of Natural Resources**  
(\$ in Thousands)

	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Approp.</u>	<u>FY 05</u> <u>Allowance</u>	<u>FY 04-05</u> <u>Change</u>	<u>FY 04-05</u> <u>% Change</u>
General Funds	\$77,220	\$70,827	\$68,616	-\$2,211	-3.1%
Contingent & Back of Bill Reductions	0	0	-519	-519	
<b>Adjusted General Funds</b>	<b>\$77,220</b>	<b>\$70,827</b>	<b>\$68,097</b>	<b>-\$2,730</b>	<b>-3.9%</b>
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Reimbursable Funds	\$7,201	\$6,304	\$5,587	-\$717	-11.4%
<b>Adjusted Grand Total</b>	<b>\$168,535</b>	<b>\$165,080</b>	<b>\$164,717</b>	<b>-\$363</b>	<b>-0.2%</b>

**Where It Goes:**

**Personnel Expenses**

Abolished positions.....	-\$472
Increments and other compensation.....	1,383
Employee and retiree health insurance .....	438
Retirement .....	553
Turnover and cost containment adjustments .....	-2,782
Workers compensation.....	780
Unemployment compensation .....	146
Other fringe benefit adjustments.....	184

**Other Changes**

State Forest and Park Service outreach and education programs .....	-147
Maryland Geological Survey .....	-413
Blue Crab Recreation Survey .....	-100

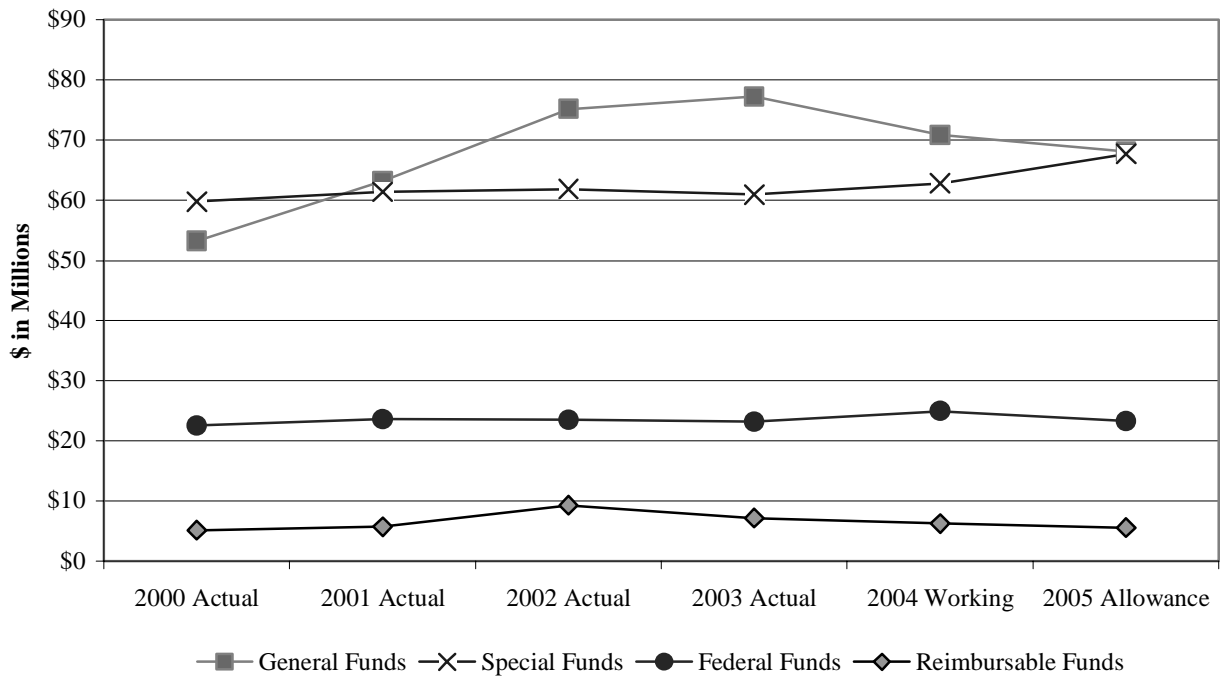
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**Where It Goes:**

Maryland Environmental Trust conservation easements .....	794
Asian Oyster environmental impact study .....	-500
U.S. Environmental Protection Agency Chesapeake Bay grant funds .....	-1,900
State Boat Act special funds for the Natural Resources Police .....	1,800
Marine resource and development projects.....	-385
Other.....	258
<b>Total</b>	<b>-\$363</b>

Note: Numbers may not sum to total due to rounding.

**Exhibit 4  
DNR Funding Trends  
Fiscal 2000 – 2005**



Source: Department of Natural Resources

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### **General Funds**

The 3.9% decrease in general funds is the result of numerous adjustments. A \$300,000 reduction in Natural Resources Police (NRP) field operations funds is assumed contingent upon the enactment of legislation providing new State Boat Act special funds. Other general fund decreases include:

- \$413,046 in the Maryland Geological Survey for studies of Maryland's water resources, mineral resources, and geologic framework;
- \$96,000 for the Outward Bound program, which seeks to encourage minority employment at DNR;
- \$147,000 for various outreach and education programs at the State forests and parks;
- \$1.0 million for supplies and materials throughout the department;
- \$100,000 for the Blue Crab Recreation Survey, essentially eliminating this effort; and
- \$472,495 for eight filled positions in the Office of the Secretary, Forestry Service, Wildlife and Heritage Service, and State Forest and Park Service.

### **Special Funds**

The 7.7% increase in special funds is due to the following changes:

- \$1.8 million in State Boat Act funds and fund balances being directed to NRP to offset general fund reductions;
- \$1.3 million in Wildlife Management and Protection funds and fund balances for the Wildlife and Heritage Service due to fee increases approved during the 2002 session;
- \$794,242 in anticipated revenue from local land trusts for Maryland Environmental Trust conservation easement purchases; and
- \$590,118 in Forest and Park Reserve Fund balances being directed to the State Forest and Park Service to offset general fund decreases.

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### **Federal Funds**

The 7.1% reduction in federal funds reflects the following anticipated decreases:

- \$1.9 million from the U.S. Environmental Protection Agency for projects that expand and strengthen cooperative efforts to restore and protect the Chesapeake Bay; and
- \$238,000 from the National Oceanic and Atmospheric Administration/U.S. Department of Commerce for research and development projects that provide information about the Chesapeake Bay's living marine resources.

These reductions are partially offset by a \$385,436 increase in U.S. Department of the Interior sport fish restoration funds.

The 11.4% decrease in reimbursable funds is primarily due to the loss of \$533,591 in Maryland Department of Transportation State Highway Administration funds for Watershed Services' efforts to mitigate the impacts of roads.

### **Impact of Cost Containment**

The fiscal 2005 allowance reflects the elimination of \$437,087 (subobject 0172), the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in budget reconciliation legislation.

In addition, a \$300,000 reduction in general funds for NRP Field Operations is assumed contingent upon the enactment of legislation increasing State Boat Act fees. DNR has proposed legislation (House Bill 181) that would raise the following boating fees that have not been adjusted for over 30 years: boat title, boat registration, documentation use decal, replacement or corrected certificate of number, manufacturer/dealer certificate of number, and boat dealer license. State Boat Act special fund revenues would increase by \$2.0 million in fiscal 2005 and by almost \$2.4 million annually thereafter due to fee increases.

## ***Issues***

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### **1. Commission on the Structure and Efficiency of State Government Recommendations**

The December 2003 Report of the Commission on the Structure and Efficiency of State Government (Mandel Commission) made several recommendations about State environmental programs that could impact DNR. These recommendations are summarized below.

- Chesapeake Bay Governance: Create a Chesapeake Bay Coordinator in the Governor's Office and re-institute the Chesapeake Bay Cabinet through a new executive order.
- Power Plant Research Program (PPRP): Conduct a comprehensive assessment of the PPRP's funding and activities.
- Forestry Programs: Study the utility of moving DNR's private and commercial forestry programs to the Maryland Department of Agriculture (MDA).
- Conservation Reserve Enhancement Program (CREP): Study the proposal to move CREP from DNR to MDA.
- Law Enforcement: Improve the overall efficiency of State law enforcement by instituting a variety of procurement, communications, training, and coordination-related recommendations; and consolidate DNR law enforcement functions (discussed in greater detail later in this analysis).

**DLS recommends that DNR brief the committee on its response to these recommendations and state whether or not DNR intends to implement each recommendation.**

### **2. The Environmental Trust Fund's Impact**

#### **Background**

The Environmental Trust Fund's (ETF) was created in 1972 to fund electric power plant site evaluation and acquisition and research on environmental and land use considerations associated with power plants. The ETF's revenue is from an environmental surcharge per kilowatt hour of electric energy distributed in the State, which is paid by electric companies. The surcharge adds between 10¢ and 20¢ per month to the average residential customer's electric bill. As shown in **Exhibit 5**, in fiscal 2003 the fund received approximately \$9.0 million in revenues. Since DNR proposes to draw down the entire ETF balance in fiscal 2005, it will be necessary for the department to closely monitor income and expenditures. DNR retained all but \$250,000 of this amount, which is the amount transferred annually to the Maryland Energy Administration (MEA) for studies on energy conservation and production. The ETF surcharge is set to expire after fiscal 2005; legislation (House Bill 503) has been introduced to extend this authority until fiscal 2010.

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**Exhibit 5**  
**Environmental Trust Fund**  
**Fiscal 1999 – 2005**  
**(\$ in Millions)**

	<u>1999</u> <u>Actual</u>	<u>2000</u> <u>Actual</u>	<u>2001</u> <u>Actual</u>	<u>2002</u> <u>Actual</u>	<u>2003</u> <u>Actual</u>	<u>2004</u> <u>Working</u>	<u>2005</u> <u>Allowance</u>
<b>Starting Balance</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$1.3</b>	<b>\$1.8</b>	<b>\$1.0</b>	<b>\$1.1</b>	<b>\$0.6</b>
ETF Revenues	\$8.8	\$9.3	\$9.4	\$8.3	\$9.0	\$9.1	\$9.1
DNR							
Power Plant Research Prog.	5.4	5.1	5.8	6.0	6.0	6.4	6.4
Admin. costs/Other programs*	2.7	2.9	3.1	3.1	2.9	3.2	3.3
<b>Total</b>	<b>\$8.1</b>	<b>\$8.0</b>	<b>\$8.9</b>	<b>\$9.1</b>	<b>\$8.9</b>	<b>\$9.6</b>	<b>\$9.7</b>
<b>Ending Balance</b>	<b>\$0.0</b>	<b>\$1.3</b>	<b>\$1.8</b>	<b>\$1.0</b>	<b>\$1.1</b>	<b>\$0.6</b>	<b>\$0.0</b>

\* Includes funds for the Office of the Secretary, Resource Assessment Service, and Watershed Services.

Note: \$250,000 in ETF revenue is transferred annually to the Maryland Energy Administration.

Source: Department of Natural Resources

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DNR uses ETF revenues to support a variety of administrative and program costs. However, approximately 68% of ETF revenues are dedicated to DNR's Power Plant Research Program (PPRP), which seeks to evaluate and minimize the environmental effects of power plants in Maryland. The PPRP's role is to coordinate State agency review of the effects of proposed power plants and transmission facilities that require a license from the State, including conducting research and monitoring in support of recommendations. The program's three core components are described below.

- *New Facilities* – Review applications, evaluate impacts, and recommend conditions for proposed power plants, transmission lines, and modifications.
- *Existing Facilities* – Assess the impacts of electric power production on the State's environmental resources.
- *Future Planning* – Evaluate long-range plans to meet electricity demand.

Approximately 60% of the PPRP's ETF revenue is dedicated to contracts with environmental research and assessment firms, with the remaining funds dedicated to monitoring programs and overhead.

### **Program Impact**

Data indicating PPRP's recent and anticipated impact is provided in **Exhibit 6**. This data indicates the following workload trends:

- 8.7% average annual decrease in applications for new plants and transmission lines between fiscal 2001 and 2003;
- 5.1% average annual decrease in new and active projects between fiscal 2001 and 2003; and
- projected decreases in power plant assets.

Overall, this performance data suggests that the program's workload has decreased, in spite of relatively steady ETF funding. Also, since the PPRP's performance data in the MFR is entirely focused on workload measures, it is difficult to determine the impact of this program's research efforts. Essentially, there is no way to determine if the PPRP is achieving its goal of ensuring that Maryland meets its electricity demands at reasonable costs while protecting natural resources.

**Exhibit 6**  
**Program Measurement Data**  
**Power Plant Assessment Program**  
**Fiscal 2001 – 2005**

	<u>Actual</u> <u>2001</u>	<u>Actual</u> <u>2002</u>	<u>Actual</u> <u>2003</u>	<u>Est.</u> <u>2004</u>	<u>Est.</u> <u>2005</u>	<u>Ann.</u> <u>Chg.</u> <u>01-03</u>	<u>Ann.</u> <u>Chg.</u> <u>03-05</u>
<b>Objective:</b> Prepare and issue recommendations to minimize social, economic, and physical impacts of new energy facilities							
<b>Measures:</b>							
No. of applications for new plant and transmission line projects under review	30	23	25	23	15	-8.7%	-22.5%
No. of hearings to which recommendation were submitted	19	21	23	23	13	10.0%	-24.8%
% of recommendations completed prior to hearing	100%	100%	100%	100%	100%	0.0%	0.0%
<b>Objective:</b> Implement projects and investigations to improve the quality of air, land, and water resources.							
<b>Measures:</b>							
Research publications and active projects	50	59	45	56	51	-5.1%	6.5%
Number of projects initiated	50	59	45	56	51	-5.1%	6.5%
<b>Objective:</b> Perform a biennial cumulative environmental impact assessment (EIA) of Maryland's existing power plants on the State's natural resources.							
<b>Measures:</b>							
No. of existing power plant assets	n/a	51	53	52	49	n/a	-3.8%
Biennial cumulative EIA completed	n/a	n/a	1	n/a	1	n/a	n/a

Source: Fiscal 2004 and 2005 budget books

**DNR should be prepared to discuss new outcome-based methods it could use to measure the PPRP's impact. Since the ETF surcharge is up for reauthorization, DNR should also discuss the potential benefits associated with diversifying the allowable uses of ETF revenue to include energy efficiency programs, on-the-ground natural resources protection efforts, and other programs. DNR should also discuss whether, and if so, how it coordinates with the Public Service Commission and MEA on State energy issues.**

### **3. Shucking DNR's Oyster Program Portfolio and Focus**

Several DNR programs are involved in restoring the native oyster to the Chesapeake Bay in order to improve water quality and re-create a viable oyster industry. These restoration efforts focus on creating sanctuaries for protected oyster populations, improving habitat, reducing the spread of disease, and establishing harvest management measures. DNR's fiscal 2005 allowance includes approximately \$3.1 million in operating funds and \$3.0 million in capital funds for oyster programs. DNR's oyster restoration program is guided by the Scientific Consensus of 1999 and a draft Comprehensive Oyster Management Plan and seeks to achieve goals set forth in the Chesapeake 2000 Agreement. The Chesapeake 2000 Agreement oyster goal is stated below.

“By 2010, achieve, at a minimum, a tenfold increase in native oysters in the Chesapeake Bay, based upon a 1994 baseline. By 2002, develop and implement a strategy to achieve this increase by using sanctuaries sufficient in size and distribution, aquaculture, continued disease research and disease-resistant management strategies, and other management approaches.”

In spite of the State's restoration efforts, both the estimated number of oysters (biomass index) and oyster harvest levels are down. Maryland's 2004 harvest will be a record low of less than 15,000 bushels, as compared to 380,000 bushels in 2000. Maryland's 2002 biomass index was 0.5, down from 1.7 in 2000. The oyster diseases, MSX and Dermo, are primarily responsible for the decline in Chesapeake Bay oyster stocks but habitat degradation and harvest pressure also play a significant role. DNR advises that disease eliminates the foreseeable possibility of restoring an abundant, self-sustaining population of native oysters.

#### **Asian Oyster Environmental Impact Statement**

The fiscal 2004 budget provides \$500,000 to DNR to complete a programmatic environmental impact statement (EIS) to identify the preferred alternative(s) for establishing a self-sustaining oyster population that reaches a level of abundance comparable to the period 1920 through 1970. The alternatives being considered include the introduction of diploid (reproducing) Asian Oyster species, propagated from stock from Oregon. This EIS represents the first time consideration has been given to intentionally introducing a non-native species, since most non-natives are introduced by accident. DNR initiated the EIS process in January 2004 in collaboration with the U.S. Army Corps of Engineers, the lead federal agency, and the State of Virginia. DNR hopes to have a draft EIS available in January 2005. The core issue will be whether or not there are potential negative and irreversible effects associated with introducing Asian Oysters into the Chesapeake Bay. A report released by the National Academy of Science's National Research Council in 2003 recommended caution and found that insufficient information exists to responsibly support such an introduction at present.

Maryland and Virginia officials advise that the ultimate decision to introduce Asian Oysters is a state decision, but federal officials note that deployment of non-native oysters may be subject to a variety of federal regulations and require a permit.

Since the State of Virginia is also researching the introduction of Asian oysters into the Chesapeake Bay, DLS recommends that DNR brief the committees on how it is ensuring that there is no duplication of effort. Since DNR has committed approximately \$1.5 million to fund the research and assessments necessary to prepare the EIS, and the U.S. Army Corps is contributing only \$100,000, DNR should state how much Virginia has committed to completing the EIS. Finally, DNR should describe the fiscal and programmatic impacts DNR's non-native oyster research efforts are having on the State's native oyster restoration programs.

#### **4. DNR Special Funds Work Group Recommendations**

##### **Background**

DNR administers over 25 different special funds, which have unique authorizations, revenue sources, and uses. The number and complexity of these special funds prompted the budget committees to create a work group to develop recommendations for evaluating and improving DNR's management of special funds. The DNR Special Funds Work Group was specifically charged with studying the statutory requirements for each special fund and determining:

- the appropriate level of administrative expenses to be deducted from each special fund;
- whether any streamlining measures could be taken to reduce DNR's special fund tracking burden; and
- whether DNR is using its special funds appropriately.

##### **Work Group Findings and Recommendations**

The DNR Special Fund Work Group's January 2004 findings and recommendations are summarized in **Exhibit 7**.

##### **Current Status**

Three bills that seek to implement the work group's recommendations have been introduced during the 2004 session.

Waterway Improvement Fund (WWIF) (HB 538/SB 452) – Increase the amount of WWIF funds that may be used by NRP for marine operations; repeal a provision that requires a payment to the Comptroller for the collection of the vessel excise tax; and repeal DNR's authority to use WWIF for enforcement of the State Boat Act.

**Exhibit 7**  
**Work Group Findings and Recommendations**

**Findings**

**Recommendations**

***Administrative Expenses***

The salary-based methodology DNR currently uses to calculate the indirect costs charged to each special fund has been consistently applied and reasonable, but statute is often silent about whether indirect costs may be charged to specific special funds.

Revise statute to allow DNR to charge administrative costs to special funds.

***Streamlining DNR's Special Funds***

There was some concern that DNR was administering an excessive number of special funds, creating confusion as to the appropriate use of the funds.

No change, as consolidation would not necessarily reduce DNR's administrative burden.

***Appropriate Use of Special Funds***

In the past, DNR has not complied with statutory language limiting the usage of the WWIF.

Annual budget language directing DNR to reduce the percentage of available WWIF revenue used for administrative purposes over the next five years; and legislation to repeal obsolete provisions of the State Boat Act and increase the amount of WWIF monies that may be used for marine operations by the Natural Resources Police.

When accounting for special fund expenditures, DNR's primary concern is ensuring that expenditures are charged to the proper budgetary program, rather than ensuring that expenditures are accounted for by individual special funds.

DNR should seek to use the State's accounting system more fully by increasing the percentage of special fund expenditures charged to individual special funds.

The statutory language governing DNR's special funds is inconsistent.

Make a number of technical adjustments to the Natural Resources Article so statutory language governing DNR's special funds is consistent.

***Other Findings/Recommendations***

Since many fees associated with DNR's special funds are set in statute and have not changed in years, the costs associated with operating some programs have surpassed available special fund revenue.

Adjust some DNR special fund statutes to allow fees to be changed via the regulatory process and establish a stakeholder commission to develop annual recommendations for adjusting fees associated with various DNR special funds.

Source: January 2003 DNR Special Funds Work Group recommendations letter

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Fee Commission and Fee Authority (SB 762/HB 1259) – Establish a commission to make recommendations about DNR fees and provide DNR with broad authority to increase fees via regulation.

Special Fund Technical Adjustments (SB 640/HB 1258) – The legislation makes numerous technical adjustments to DNR’s special fund statutes so that they are consistent.

**DNR should discuss its position on all of the work group’s recommendations. Furthermore, DLS recommends budget reconciliation legislation language directing DNR to reduce the percentage of available WWIF revenues used for administrative purposes over the next five years. Also, budget bill language is recommended requiring DNR and DBM to submit a report describing DNR’s multi-year plan for reducing the percentage of WWIF revenues allocated to administrative purposes.**

## **5. Proposed DNR Law Enforcement Reorganization**

### **Background**

Language in Chapter 202, Acts of 2003 (the fiscal 2004 budget bill) requires DBM, in consultation with the Department of State Police (DSP) and DNR, to submit a report outlining how DSP and sworn officers at DNR could make more efficient use of State law enforcement resources through consolidating the two organizations. The language required that the report address:

“...areas of duplication; potential administrative, program, personnel, and cost savings from consolidating DNR Natural Resources Police, wardens, and rangers into DSP; recommendations for streamlining programs such as training; a proposal for how to accomplish the change; a discussion of how to accommodate cultural differences between the two agencies; and draft legislation, if appropriate, effecting the consolidation.”

The report was submitted the first week of February 2004, approximately one month after the due date, which had already been extended by two months. The report’s recommendations are described below.

### **Recommendations**

The DNR and DSP law enforcement report made two main recommendations, which are consistent with recommendations in the December 2003 Report of the Commission on the Structure and Efficiency of State Government (Mandel Commission).

*Recommendation 1: It is not in the State’s interest to combine DNR’s law enforcement functions with DSP.* The report identifies several core reasons for not supporting the merger of DNR’s law enforcement functions into DSP, including:

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- no cost savings would be achieved by either DSP or DNR;
- costs may increase as DNR law enforcement officers are brought up to DSP pay grades;
- DNR would not be able to control the allocation of law enforcement resources to natural resources and public lands; and
- DNR would lose its identity as a conservation and natural resources law enforcement group, possibly reducing morale.

*Recommendation 2: Significant efficiencies may be achieved by consolidating the State Forest and Park Service rangers with NRP and making civilians responsible for park operations.* The State Forest and Park Service (SFPS) manages and operates over 60 State forests, parks, wildlife, and environmental management areas as well as two State marinas. Major areas of operation include visitor services, maintenance, law enforcement, interpretative services, and resource management. NRP enforces a broad variety of laws and regulations, which include boating, hunting, pollution, and natural resource protection. A significant number of SFPS jobs currently filled by sworn police officers could be better classified as security guard positions, or involve concessions, management, or ground maintenance. Therefore, the report recommends assigning SFPS rangers and NRP officers and managers to a single unit, while pursuing changes to the personnel system that will remove law enforcement responsibilities from the SFPS.

The report recommends that during this restructuring, current rangers be grandfathered in at their salary level and changes in job classification be achieved through attrition as rangers leave the forces or retire. To minimize disruption, proposed staffing changes would be effective in the winter of 2005, which would allow changes to take place prior to the 2005 summer season. DBM and DNR plan to hold 30 NRP vacancies or fill them with existing rangers and fill vacant ranger positions with civilian staff. As part of this implementation process, DNR and DBM plan to pursue a comprehensive law enforcement training program and revisit the distribution of law enforcement-related administrative staff. **Exhibit 8** summarizes the anticipated organizational and budget benefits of this proposed reorganization.

### **Fiscal 2005 Budget Implications**

DNR's fiscal 2005 allowance was adjusted to reflect the initial implementation of this proposed consolidation effort. The fiscal 2005 allowance assumes that 10 civilians will be hired to replace existing SFPS managers, resulting in a savings of \$250,000. While this adjustment assumes implementation, legislation would be required during the 2004 session to effect this personnel change.

**Exhibit 8  
DNR Law Enforcement Reorganization**

**Organizational Benefits**

- Greater efficiency and potentially lower cost in purchasing equipment, vehicles, and uniforms and conducting training.
- Streamlined coordination for basic law enforcement functions and Homeland Security activities.
- Greater variety of assignments and duty stations.
- Improved asset mobility and long-range planning.

**Budgetary Benefits**

- A civilian SFPS workforce would cost approximately 40% less than the same number of rangers. Savings would result from lower retirement contributions and salaries, and from reduced training costs for new hires.
- Savings will be realized as new civilian park managers replace existing law enforcement park managers with more expensive benefits.

Sources: Department of Natural Resources, Department of Budget and Management, 2003 Commission on the Efficiency and Structure of State Government Report

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**DLS recommends that DNR brief the committees on the proposed reorganization process and whether implementing legislation is forthcoming. DNR should discuss the anticipated programmatic and fiscal benefits and challenges associated with implementing this proposal, and whether it intends to implement the Mandel Commission’s procurement, communications, training, and coordination recommendations for improving the overall efficiency of State law enforcement.**

**DLS also recommends budget bill language requiring DNR and DBM to submit a report to the committees by October 1, 2004, providing detailed information about the proposed implementation process and timeline as well as the estimated cost savings.**

## **6. Establishing a Chesapeake Bay Recovery Fund**

The administration has identified restoration of the Chesapeake Bay as one of its legislative priorities for the 2004 session. To promote restoration of the bay, the administration has introduced several legislative initiatives, one being the creation of the Chesapeake Bay Recovery Fund

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(HB 288/SB 184). This bill represents an effort to augment existing funding sources for bay restoration activities by encouraging private investment.

The Chesapeake Bay Recovery Fund would be a special, non-lapsing fund in DNR that supports large scale bay restoration efforts. DNR would be authorized to solicit, accept, and expend gifts to the fund. The revenue for this fund would be from private contributions, and DNR would enter into agreements with nonprofit public charities to solicit and manage these contributions. The legislation also establishes a 20-member Chesapeake Bay Recovery Commission to design, develop, and implement innovative fundraising projects for the recovery of the Chesapeake Bay, to solicit gifts, and to advise the Secretary on the use of gifts received. DNR, in cooperation with MDE, MDA, and DBM, would provide staff support for the commission.

DNR estimates that donation revenues could total \$1 million in fiscal 2005; future year estimates reflect increased donation activity as a result of increased marketing efforts. DNR also advises that it would be able to administer the new fund without hiring additional staff. Special fund expenditures could increase by an estimated \$59,000 in fiscal 2005, which reflects the bill's July 1, 2004, effective date. DNR, MDE, MDA, and DBM would provide staff support for the commission using existing resources.

**DLS recommends that DNR respond to the following questions:**

- **Have any donations been offered since this proposal was announced?**
- **Is this private fundraising initiative an appropriate role for State government?**
- **Since many existing nonprofits have the structure and potential capacity to support large-scale restoration efforts, would not this fund be duplicative?**
- **Since donors will be able to dictate what projects their gifts will be used for, how does DNR intend to ensure that fund resources are used in a strategic manner?**
- **The Commission on the Structure and Efficiency of State Government found that Chesapeake Bay policy and programs are fragmented. Would not the creation of this fund and its own, separate governing committee augment this fragmentation?**

## ***Recommended Actions***

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1. Add the following language:

Provided that the Department of Natural Resources and Department of Budget and Management shall develop a report by October 1, 2004, that describes the process and timeline as well as the estimated cost savings associated with proposed efforts to consolidate the law enforcement functions of the State Forest and Park Service and Natural Resources Police. The budget committees shall have 45 days to review and comment upon the report.

**Explanation:** This language requires the Department of Natural Resources (DNR) and the Department of Budget and Management (DBM) to submit a report to the committees by October 1, 2004, providing detailed information about the proposed consolidation of the State Forest and Park Service and Natural Resources Police law enforcement functions. This report would provide information about how and when this reorganization would be implemented as well as the estimated cost savings associated with implementation.

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
DNR law enforcement reorganization report	DNR DBM	October 1, 2004

2. Add the following language:

Provided that the Department of Natural Resources (DNR) and Department of Budget and Management shall develop a report by October 1, 2004, that outlines a multi-year plan for reducing the percentage of Waterway Improvement Fund (WWIF) revenues allocated to DNR's administrative purposes over the next five years. The report should identify funds to help replace WWIF that are no longer used for administrative expenses. The budget committees shall have 45 days to review and comment upon the report.

**Explanation:** This language requires DNR and the Department of Budget and Management to submit a report describing DNR's multi-year plan for reducing the percentage of WWIF revenues allocated to administrative purposes over the next five years. This language stipulates that the report should identify funds to supplant redirected WWIF revenue.

The DNR Special Funds Work Group found that DNR had not complied with statutory language limiting the usage of the WWIF and recommended several changes. One recommendation was to require DNR to reduce the percentage of available WWIF revenue used for administrative purposes over the next five years. Currently, DNR applies an administrative cost rate of approximately 10% to all special funds including the WWIF. Proposed budget reconciliation bill language would lay out a schedule for reducing the administrative cost rate.

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<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
WWIF administrative costs report	DNR DBM	October 1, 2004

3. Add the following language:

Further provided that the \$1,399,415 in general funds and \$939,994 in special funds appropriated for vehicle purchases in the Department of Natural Resources may only be expended for vehicle purchases. General funds unexpended at the end of the fiscal year shall revert to the general fund. Unexpended special fund appropriations will be cancelled.

**Explanation:** In the past, the Department of Natural Resources (DNR) has not made vehicle replacement a priority. Consequently, the vehicle fleet has fallen into disrepair. This language requires DNR to spend funds appropriated for vehicle purchases only on vehicle purchases or to revert or cancel the funds.

4. Add the following language:

Provided that \$228,437 in general funds and three positions are deleted from the budget of the Department of Natural Resources.

**Explanation:** This language reduces the Department of Natural Resource's budget by \$228,437 and three positions. This reduction reflects the fact that the Maryland Independence yacht was sold in December 2003 making operating and maintenance funds and positions unnecessary.

- |   | <b><u>Amount<br/>Reduction</u></b> |
|---|------------------------------------|
| 5. Reduce funding for the Wildlife and Heritage Service. The Wildlife and Heritage Service will benefit from additional special funds in fiscal 2005 due to fee increases for hunting licenses and stamps approved during the 2002 session. The Department of Natural Resources should use special fund balances and potential new revenue from proposed wildlife management program fees (House Bill 496) to offset this general fund reduction. | \$ 470,573 GF                      |

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6. Amend the following language:

, provided that this appropriation shall be reduced by ~~\$300,000~~ \$1,300,000 contingent upon the enactment of ~~legislation to increase fees for services within this program~~ HB 181.

**Explanation:** This language reduces the general fund appropriation for the Natural Resources Police (NRP) by an additional \$1.0 million. This reduction would be implemented contingent upon the enactment of House Bill 181, which is estimated to generate an additional \$2.0 million in fiscal 2005 special funds. House Bill 181 is a departmental bill that increases various fees paid to the Department of Natural Resources under the State Boat Act and repeals the service charge for returned checks. With this reduction, \$700,000 in additional special fund revenue would still be available for NRP.

**Amount  
Reduction**

7. Reduce funds for Natural Resources Police (NRP) field operations. Current statute stipulates that only \$1.0 million in Waterway Improvement Funds (WWIF) should be directed to NRP for marine operations. The Department of Natural Resources Special Funds Work Group recently recommended that this amount should be increased to \$1.5 million in fiscal 2006, to account for inflation. The fiscal 2005 budget allowance provides \$1,667,421 in WWIF revenue for NRP field operations. If this reduction is implemented, the same amount of WWIF revenue would be provided in fiscal 2005 as is recommended by the work group for fiscal 2006. This action would allow funds to be redirected to waterway projects.
- 167,421 SF

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8. Add the following language to the general fund appropriation:

. provided that this appropriation shall be reduced by \$650,000 contingent on enactment of SB 60.

**Explanation:** This language reduces the general fund appropriation for the Fisheries Service by \$650,000. This reduction would be implemented contingent upon the enactment of Senate Bill 60, which is estimated to generate an additional \$1.3 million in fiscal 2005 special funds. Senate Bill 60 is a departmental bill that increases the fees for various recreational fishing licenses issued by the Department of Natural Resources and establishes a nonresident fee category for specified licenses and stamps. With this reduction, \$650,000 in additional special fund revenue would still be provided for Fisheries Service programs.

<b>Total Reductions</b>	<b>\$ 637,994</b>
<b>Total General Fund Reductions</b>	<b>\$ 470,573</b>
<b>Total Special Fund Reductions</b>	<b>\$ 167,421</b>

## ***Updates***

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### **1. Recommendations for Improving Tax Credits for Conservation Easement Donors**

In response to narrative in the *2003 Joint Chairman's Report*, the Maryland Environmental Trust (MET) submitted a brief report outlining recommendations for improving and funding the State income tax credit for conservation easement donors. This provision allows individuals who donate conservation easements to MET or the Maryland Agricultural Land Preservation Foundation to claim up to \$5,000 per individual tax payer. The report makes the following four programmatic recommendations:

- allow landowners who do not pay enough in State taxes to utilize the full tax credit to sell unused credits to a Maryland taxpayer in order to recover a higher percentage of the easement's value;
- expand eligibility to include a trust, estate partnership, limited liability corporation, limited partnership, or other entity;
- increase the limit of the tax credit to a percentage of the value of the donation and cap the total amount of the credit; and
- allow deductions to be taken against local income taxes.

There are over 50 small, nonprofit land trusts in Maryland working cooperatively with units of State government to secure easements. In the past, MET supported these groups with \$50,000 in annual grant funds. However, these funds have been reduced to \$20,000 annually. To provide more robust support, the report suggests securing additional funds from the following sources and methods: general fund appropriations, Program Open Space administrative funds, private donations, and land trust fundraising.

Several bills have been introduced during the 2004 legislative session that impact taxes associated with conservation easements. House Bill 768 and Senate Bill 479 would allow tax credits for preservation and conservation easements to be transferred. Senate Bill 481 authorizes counties to permit a credit against the county income tax for preservation and conservation easements.

### **2. U.S. National Park Service's Chesapeake Bay Study**

The Chesapeake Bay Special Resource Study is a comprehensive effort to determine whether the National Park System (NPS) should do more to conserve the Chesapeake Bay. In particular, the Special Resource Study considers whether additional Chesapeake Bay resource areas should be represented within NSP and if they would help advance conservation of the Chesapeake Bay. As part of the study, NPS will determine what types of resources and concepts might be suitable for a bay-

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focused unit of the park system – if any – and make recommendations to Congress regarding these findings.

The draft special resource study includes the five alternatives summarized below.

- ***Today's Programs: No New Initiatives*** – Continue NPS's role in the Chesapeake Bay Gateways Network, through which it acts as a clearinghouse that funnels money and coordinates public information services for 120 sites, including museums, trails, and parks around the watershed.
- ***An Enhanced Chesapeake Bay Gateways Network*** – Expand the Gateways program by adding sites, building information centers, and making the program permanent.
- ***Chesapeake Bay Estuary National Park*** – Establish a protected, water-based estuary park in an area that includes essential elements of the bay's ecosystem (e.g., underwater grasses, oyster beds, marsh, and islands).
- ***A Chesapeake Bay National Reserve*** – Designate an area of land and water for preservation while encouraging traditional uses such as commercial fishing, farming, and forestry.
- ***Chesapeake Bay Watershed National Ecological and Cultural Preserve*** – Select one bay tributary where innovative environmental and land preservation methods would serve as a model conservation project.

Since the summer of 2002, NPS has held a series of public workshops throughout the region to share information on initial concepts, answer questions, and invite feedback. Using this input, NPS developed a draft of the special resource study report with multiple alternatives and an analysis of the effects of each concept, which was on public review through September 2003. The study team compiled and evaluated public comments and submitted a final report to the U.S. Department of the Interior (DOI) for review. The DOI review is expected to occur in March or April 2004. Implementation of recommendations – if any – regarding new units of the national park system would require legislation passed by the Congress and signed by the President.

## *Current and Prior Year Budgets*

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### Current and Prior Year Budgets Department of Natural Resources (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Fiscal 2003</b>					
Legislative Appropriation	\$80,682	\$64,689	\$23,224	\$9,207	\$177,802
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	67	1,812	2,115	1,781	5,775
Cost Containment	-3,323	0	0	0	-3,323
Reversions and Cancellations	-206	-5,554	-2,171	-3,787	-11,719
<b>Actual Expenditures</b>	<b>\$77,220</b>	<b>\$60,947</b>	<b>\$23,168</b>	<b>\$7,201</b>	<b>\$168,535</b>
<b>Fiscal 2004</b>					
Legislative Appropriation	\$74,795	\$62,798	\$25,043	\$6,304	\$168,941
Cost Containment	-3,968	51	56	0	-3,861
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$70,827</b>	<b>\$62,849</b>	<b>\$25,099</b>	<b>\$6,304</b>	<b>\$165,080</b>

Note: Numbers may not sum to total due to rounding.

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## **Fiscal 2003 Budget**

General funds dedicated to operating functions decreased by \$3.5 million. This major reduction is largely due to cost containment actions under the provisions of Section 7-213(a) of the State Finance and Procurement Article (Budget Amendment No. 165-03). The \$206,000 in general fund reversions includes funds for the Bi-State Blue Crab Advisory Committee since Virginia failed to appropriate its contribution.

Special funds dedicated to operating functions decreased by \$3.7 million. The major changes were:

- \$333,200 increase in forestry income generated by the Chesapeake Forest Lands to maintain the property in accordance with best forestry management practices;
- \$257,604 increase from the Forest and Park Reserve Fund to support increased fuel, vehicle, and salaries expenses in SFPS due to the uncharacteristically cold winter and spring;
- \$250,000 increase from the Wildlife Management and Protection Fund for salaries in the Wildlife and Heritage Service; and
- \$195,620 increase in State Boat Act funds to pay for computer hardware, software, and maintenance associated with the Customer Oriented Information Network System.

These special fund increases were off-set by reversions in the Fisheries Service (\$2.1 million), Forestry Programs (\$532,030), Power Plant Assessment Program (\$466,026), Finance and Administrative Service (\$398,799), Capital Grants and Loan Administration Operations (\$353,929), Natural Resources Police Waterway Management Services (\$274,622), Maryland Geological Survey (\$213,962), and Maryland Environmental Trust (\$203,906).

Federal funds dedicated to operating functions decreased slightly. The major changes included a:

- \$453,498 increase from the U.S. DOI's Natural Resources Damage Assessment Fund to implement six public recreation projects in Charles, Calvert, Prince George's, and St. Mary's counties;
- \$264,630 increase from the U.S. Environmental Protection Agency to conduct an oyster reef restoration project that tests different reef construction materials;
- \$191,000 increase from the U.S. Department of Commerce-National Oceanic and Atmospheric Administration for contractual costs associated with estuary research, monitoring, and training; and

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- \$160,400 increase from DOI and U.S. Department of Agriculture for Maryland Geological Survey studies on the Patapsco Aquifers of Southern Maryland, and geologic and geohazard maps and associated databases.

These federal fund increases were off-set by cancellations in the Wildlife and Heritage Service (\$426,802), Tidewater Ecosystem (\$381,716), the Chesapeake and Coastal Watershed Service Program Development (\$324,651), and Coastal Zone Management (\$177,458).

Reimbursable funds decreased by \$2.0 million, with significant reductions in the Chesapeake and Coastal Watershed Service Program Development, Forest and Park Service Statewide Operations, and Engineering and Construction General Direction.

### **Fiscal 2004 Budget**

General funds dedicated to operating functions have decreased by \$3,968,005. This reduction is due to cost containment actions under the provisions of Section 7-213(a) of the State Finance and Procurement Article (Budget Amendment No. 37-04). A description of this change is provided earlier in this analysis.

**Object/Fund Difference Report  
Department of Natural Resources**

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	1490.00	1454.00	1446.00	-8.00	-0.6%
02 Contractual	377.50	480.00	438.50	-41.50	-8.6%
<b>Total Positions</b>	<b>1867.50</b>	<b>1934.00</b>	<b>1884.50</b>	<b>-49.50</b>	<b>-2.6%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 99,321,608	\$ 94,610,804	\$ 95,288,727	\$ 677,923	0.7%
02 Technical & Spec Fees	7,660,123	8,435,128	9,226,455	791,327	9.4%
03 Communication	2,377,983	2,808,293	2,647,106	-161,187	-5.7%
04 Travel	498,511	643,054	643,427	373	0.1%
05 Food	3,807	0	0	0	0.0%
06 Fuel & Utilities	3,411,318	3,290,098	3,454,320	164,222	5.0%
07 Motor Vehicles	6,498,753	6,562,814	7,137,050	574,236	8.7%
08 Contractual Services	32,560,379	32,609,480	30,835,970	-1,773,510	-5.4%
09 Supplies & Materials	5,674,115	6,388,524	6,046,851	-341,673	-5.3%
10 Equip - Replacement	1,332,115	1,555,405	1,527,152	-28,253	-1.8%
11 Equip - Additional	979,335	820,550	811,516	-9,034	-1.1%
12 Grants, Subsidies, Contracts	6,341,371	5,265,756	4,995,966	-269,790	-5.1%
13 Fixed Charges	1,718,540	1,846,453	2,489,257	642,804	34.8%
14 Land & Structures	157,082	243,158	350,252	107,094	44.0%
<b>Total Objects</b>	<b>\$ 168,535,040</b>	<b>\$ 165,079,517</b>	<b>\$ 165,454,049</b>	<b>\$ 374,532</b>	<b>0.2%</b>
<b>Funds</b>					
01 General Fund	\$ 77,220,044	\$ 70,826,731	\$ 68,615,704	-\$ 2,211,027	-3.1%
03 Special Fund	60,946,562	62,849,423	67,882,455	5,033,032	8.0%
05 Federal Fund	23,167,540	25,099,312	23,368,608	-1,730,704	-6.9%
09 Reimbursable Fund	7,200,894	6,304,051	5,587,282	-716,769	-11.4%
<b>Total Funds</b>	<b>\$ 168,535,040</b>	<b>\$ 165,079,517</b>	<b>\$ 165,454,049</b>	<b>\$ 374,532</b>	<b>0.2%</b>

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.

**Fiscal Summary  
Department of Natural Resources**

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
01 Secretariat	\$ 11,189,718	\$ 12,109,348	\$ 12,109,348	8.2%	\$ 12,550,778	3.6%
02 Forest, Wildlife, and Heritage Service	9,141,632	9,566,853	8,962,853	-2.0%	9,305,836	3.8%
03 Boating Administration	10,183,896	8,885,114	8,197,503	-19.5%	9,136,092	11.4%
04 State Forest and Park Service	42,437,013	40,457,724	39,759,598	-6.3%	39,145,944	-1.5%
05 Land and Water Conservation Service	4,377,283	5,041,215	4,721,215	7.9%	4,897,411	3.7%
06 Licensing and Registration Service	3,624,921	3,577,743	3,577,743	-1.3%	3,818,113	6.7%
07 Natural Resources Police	27,848,943	27,197,937	26,797,937	-3.8%	28,674,493	7.0%
08 Water Resources Administration	1,643,759	1,651,952	1,651,952	0.5%	1,645,459	-0.4%
09 Maryland Environmental Service	4,689,890	4,524,309	4,424,309	-5.7%	4,304,436	-2.7%
10 Chesapeake Bay Critical Area Commission	1,947,444	2,209,783	2,042,783	4.9%	2,030,938	-0.6%
12 Resource Assessment Service	17,080,852	17,934,972	17,934,972	5.0%	18,090,356	0.9%
13 Maryland Environmental Trust	655,260	1,364,151	1,364,151	108.2%	1,670,436	22.5%
14 Chesapeake and Coastal Watershed Service	18,578,033	15,923,048	17,228,858	-7.3%	14,292,083	-17.0%
15 Chesapeake Conservation Education	0	1,959,980	0	0%	0	0%
17 Fisheries Service	15,136,396	16,536,011	16,306,295	7.7%	15,891,674	-2.5%
<b>Total Expenditures</b>	<b>\$ 168,535,040</b>	<b>\$ 168,940,140</b>	<b>\$ 165,079,517</b>	<b>-2.1%</b>	<b>\$ 165,454,049</b>	<b>0.2%</b>
General Fund	\$ 77,220,044	\$ 74,794,735	\$ 70,826,731	-8.3%	\$ 68,615,704	-3.1%
Special Fund	60,946,562	62,798,072	62,849,423	3.1%	67,882,455	8.0%
Federal Fund	23,167,540	25,043,279	25,099,312	8.3%	23,368,608	-6.9%
<b>Total Appropriations</b>	<b>\$ 161,334,146</b>	<b>\$ 162,636,089</b>	<b>\$ 158,775,466</b>	<b>-1.6%</b>	<b>\$ 159,866,767</b>	<b>0.7%</b>
Reimbursable Fund	\$ 7,200,894	\$ 6,304,051	\$ 6,304,051	-12.5%	\$ 5,587,282	-11.4%
<b>Total Funds</b>	<b>\$ 168,535,040</b>	<b>\$ 168,940,140</b>	<b>\$ 165,079,517</b>	<b>-2.1%</b>	<b>\$ 165,454,049</b>	<b>0.2%</b>

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.